APPENDIX

Define the self-interested payoffs for the high piece-rate player (henceforth h) and the low piece-rate players (henceforth *l*) as follows:

A1) $S_h(e_h) = p_h v(e_h) - c(e_h)$ and $S_l(e_l) = p_l v(e_l) - c(e_l)$,

where $v'(e) > 0$; $v''(e) \leq 0$; $c'(e) > 0$; $c''(e) > 0$; $p_h > p_l > 0$.

Let $e_h^* > 0$ and $e_l^* > 0$ be the effort levels that maximize S_h and S_l respectively. Since the payoff functions are strictly concave, these optimal self-interested effort levels are unique. Moreover, since as shown in the text, $e_h^* > e_l^*$, and $p_h > p_l$, it follows that $p_h v(e_h^*) - p_l v(e_l^*) > 0$. In the discussion that follows, we assume that the three *l* players behave identically in equilibrium and care only about inequity with respect to h.

Model 1: Disadvantageous Inequity Aversion

Suppose there is disadvantageous inequity aversion based on differences in monetary income as described in the text. Then:

A2) $U_h = S_h(e_h) - \alpha_h[p_l v(e_l) - p_h v(e_h)]$ if $p_l v(e_l) - p_h v(e_h) > 0$;

$= S_h(e_h)$ if $p_l v(e_l) - p_h v(e_h) \leq 0$, and

A3) $U_l = S_l(e_l) - \alpha_l[p_h v(e_h) - p_l v(e_l)]$ if $p_h v(e_h) - p_l v(e_l) > 0$;

$= S_l(e_l)$ if $p_h v(e_h) - p_l v(e_l) \leq 0$,

where α_h is the sensitivity of h to disadvantageous inequity with respect to the *l* players and α_l is the sensitivity of *l* to disadvantageous inequity with respect to the h player.

Define $\bar{e}_l$ such that $p_h v(e_h^*) - p_l v(\bar{e}_l) = 0$.[1] Then $p_h v(e_h^*) - p_l v(e_l^*) > 0$ implies that $\bar{e}_l > e_l^*$ because $v(.)$ is a strictly increasing function.

[1] We assume that $\bar{e}_l$ exists. If this is not the case, the equilibrium and the reasoning used to prove its existence is analogous to that used in the case of $\tilde{e}_l \leq \bar{e}_l$ (Case 1 below).

Suppose h's effort is e_h^*. What is l's optimal effort? Note that $\bar{e}_l > e_l^*$ implies that given e_h^*, $\bar{e}_l$ strictly dominates any effort $e_l > \bar{e}_l$ for l. This is because l reduces his/her self-interested payoff without getting any benefit from the inequity aversion component of his/her payoff if s/he chooses $e_l > \bar{e}_l$ instead of $\bar{e}_l$. Hence given $e_h = e_h^*$ for h, the optimal effort for l must lie in the interval [0, $\bar{e}_l$]. This means that l's problem is reduced to choosing e_l to maximize the strictly concave function $S_l(e_l) - \alpha_l[p_h v(e_h) - p_l v(e_l)]$ subject to $e_l \in [0, \bar{e}_l]$, where the objective function is everywhere differentiable in this case. Accordingly, we solve the first-order condition $S_l'(\tilde{e}_l) + \alpha_l p_l v'(\tilde{e}_l) = 0$ to obtain $\tilde{e}_l$. It is easy to show that $\tilde{e}_l > e_l^*$ as we do in the text of the paper. If $\tilde{e}_l \leq \bar{e}_l$, then $\tilde{e}_l$ is l's optimal effort. If $\tilde{e}_l > \bar{e}_l$, then l's optimal effort is $\bar{e}_l$.

We will consider the two possible cases:

Case 1: $\tilde{e}_l \leq \bar{e}_l$,

Case 2: $\tilde{e}_l > \bar{e}_l$.

<u>Case 1</u>: $\tilde{e}_l$ is l's optimal effort. Claim: $\hat{e}_l = \tilde{e}_l$ and $\hat{e}_h = e_h^*$ is a Nash equilibrium. Proof: Based on the previous analysis, it is clear that l does not have any profitable deviations. What about h? If h increases or decreases effort, s/he moves away from his/her self-interested maximum, without any compensating benefit from the inequity aversion component of his/her utility function, thus becoming worse off. Thus, $\hat{e}_l = \tilde{e}_l$ and $\hat{e}_h = e_h^*$ is a Nash equilibrium.

Is this equilibrium unique? Suppose there were an equilibrium with $e_h < e_h^*$ to which the l players responded optimally. If in that conjectured equilibrium, l's income were less than or equal to h's income, h would gain by increasing e_h toward his/her self-interested maximum, e_h^*. Moreover, if l's income were greater than h's income, h would gain by increasing e_h both because s/he would move closer to his/her self-interested maximum and because s/he would reduce disadvantageous inequity. Hence there is no such equilibrium.

Suppose there were an equilibrium with $e_h > e_h^*$ to which the *l* players responded optimally. Notice that $e_h > e_h^*$ and $\tilde{e}_l \leq \bar{e}_l$ together imply $p_h v(e_h) > p_h v(e_h^*) = p_l v(\bar{e}_l) \geq p_l v(\tilde{e}_l)$ since v(.) is a strictly increasing function. Thus, the optimal response for *l* would still be $\tilde{e}_l$ since *h*'s income must be higher than *l*'s income in this conjectured equilibrium. The *h* player would therefore gain by reducing effort to e_h^*, thus maximizing his/her self-interested utility without any offsetting loss from the inequity-aversion component of his/her utility function. Hence there is no such equilibrium. Thus, if $\tilde{e}_l \leq \bar{e}_l$, the equilibrium in which $\hat{e}_l = \tilde{e}_l$ and $\hat{e}_h = e_h^*$ is unique.

<u>Case 2</u>: Now consider the case where $\tilde{e}_l > \bar{e}_l$. Claim: $\hat{e}_l = \overline{e}_l$ and $\hat{e}_h = e_h^*$ is a Nash equilibrium.

Proof: Based on the previous analysis, it is clear that *l* does not have any profitable deviations. What about *h*? If *h* increases or decreases effort, s/he moves away from his/her self-interested maximum, without any compensating benefit from the inequity aversion component of his/her utility function, thus becoming worse off. Thus, $\hat{e}_l = \overline{e}_l$ and $\hat{e}_h = e_h^*$ is a Nash equilibrium.

Is this equilibrium unique? Suppose there were an equilibrium with $e_h' < e_h^*$ to which *l* responded optimally. Define $\breve{e}_l$ such that $p_l v(\breve{e}_l) = p_h v(e_h')$. Note that $\breve{e}_l < \bar{e}_l$ because $p_l v(\breve{e}_l) = p_h v(e_h') < p_h v(e_h^*) = p_l v(\bar{e}_l)$ and $v(.)$ is a strictly increasing function. Moreover, recall that $\bar{e}_l < \tilde{e}_l$ in this case. Thus, $\breve{e}_l < \bar{e}_l < \tilde{e}_l$. Then an analysis similar to the derivation of the equilibrium where $\hat{e}_h = e_h^*$ above shows that *l*'s optimal response would be $\breve{e}_l$. However, *h* would then gain by deviating because s/he can increase his/her effort to his/her self-interested optimal effort level, e_h^*, without any offsetting loss from the inequity-aversion component of his/her utility function. Therefore, such an equilibrium cannot exist.

Suppose there were an equilibrium with $e_h' > e_h^*$ to which *l* responded optimally. An analysis similar to the derivation of the equilibrium where $\hat{e}_h = e_h^*$ above shows that such a response will result in two possibilities for *l*. Define $\breve{e}_l$ such that $p_l v(\breve{e}_l) = p_h v(e_h')$. Then if $\tilde{e}_l < \breve{e}_l$, *l* will choose $\tilde{e}_l$. In that case, l's income would be less than h's income. This cannot be a Nash equilibrium because h can gain by deviating downwards, thereby moving closer to his/her self-interested maximum e_h^* without suffering any loss from the inequity aversion component of his/her utility function.[2] In contrast, if $\tilde{e}_l \geq \breve{e}_l$, l will choose $\breve{e}_l$. Notice that in this case l's income is equal to h's income. I argue below that if α_h is sufficiently large, this will be a Nash equilibrium.

Consider then the candidate equilibrium where $\hat{e}_h = e_h' > e_h^*$ and because $\tilde{e}_l \geq \breve{e}_l$, $\hat{e}_l = \breve{e}_l$. Given h's choice, l is optimizing, so l will not gain by deviating. Consider possible deviations for h, given l's choice of $\breve{e}_l$. h will lose by deviating upwards such that $e_h > e_h'$ because s/he is moving farther away from his/her self-interested maximum $e_h^* < e_h'$ without any compensating benefit from changes in disadvantageous inequity. However, the situation is more complicated if h deviates by reducing effort such that $e_h < e_h'$. Notice that such a deviation implies that h's income falls below l's income. Such a deviation represents a gain from the self-interested part of h's utility function, while simultaneously representing a loss from the other-regarding part of his/her utility function because it causes h to begin experiencing disadvantageous inequity. Since the disadvantageous inequity parameter α_h is assumed only to be greater than 0, it can be arbitrarily large. Thus, it is possible that the loss from the disadvantageous inequity part of the utility function exceeds the gain from the self-interested part of the utility function if α_h is sufficiently large. If so, $\hat{e}_l = \breve{e}$ and $\hat{e}_h = e_h'$ is a Nash equilibrium.

Notice that any such equilibrium is Pareto inferior to the equilibrium where $\hat{e}_l = \overline{e}_l$ and $\hat{e}_h = e_h^*$. This is because in neither equilibrium are there any inequity considerations since $p_l\hat{e}_l = p_h\hat{e}_h$ in both cases. However, in the latter equilibrium, both l and h are closer to their self-interested maxima. Thus, if the h and the l players were to move simultaneously from the equilibrium where

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[2] Note that moving all the way to e_h^* would not necessarily be a profitable deviation. However, it will always be profitable to deviate to some e_h such that $e_h^* \leq e_h < e_h'$. We will show in the next paragraph that it is possible for a Nash equilibrium where $e_h > e_h^*$ to exist.

$\hat{e}_l = \breve{e}$ and $\hat{e}_h = e'_h$ to the equilibrium where $\hat{e}_l = \overline{e}_l$ and $\hat{e}_h = e^*_h$, they would all be better off.

Model 2: Disadvantageous and Advantageous Inequity Aversion

Suppose the existence of both disadvantageous and advantageous inequity aversion based on differences in monetary income. Then:

A4) $U_h = S_h(e_h) - \alpha_h[p_l v(e_l) - p_h v(e_h)]$ if $p_l v(e_l) - p_h v(e_h) > 0$;

$= S_h(e_h) + \beta_h[p_l v(e_l) - p_h v(e_h)]$ if $p_l v(e_l) - p_h v(e_h) \leq 0$, and

A5) $U_l = S_l(e_l) - \alpha_l[p_h v(e_h) - p_l v(e_l)]$ if $p_h v(e_h) - p_l v(e_l) > 0$;

$= S_l(e_l) + \beta_l[p_h v(e_h) - p_l v(e_l)]$ if $p_h v(e_h) - p_l v(e_l) \leq 0$.

where β_h is the sensitivity of *h* to advantageous inequity with respect to the *l* players and β_l is the sensitivity of *l* to advantageous inequity with respect to the *h* player, and α_h and α_l are as previously defined. Following Fehr and Schmidt, $\beta_j < \alpha_j$ where $j = h, l$.

Let $\tilde{e}_l$ be the effort level that maximizes U_l and $\tilde{e}_h$ be the effort level that maximizes U_h when $p_h v(e_h) - p_l v(e_l) > 0$. Specifically, $\tilde{e}_l$ is the solution to $S'_l(\tilde{e}_l) + \alpha_l p_l v'(\tilde{e}_l) = 0$, while $\tilde{e}_h$ is the solution to $S'_h(\tilde{e}_h) - \beta_h p_h v'(\tilde{e}_h) = 0$. Note that as demonstrated in the text, $\tilde{e}_l > e^*_l$. An analogous argument implies $\tilde{e}_h < e^*_h$. Define $\bar{\bar{e}}_l$ such that $p_l v(\bar{\bar{e}}_l) - p_h v(\tilde{e}_h) = 0$[3] and $\bar{\bar{e}}_h$ such that $p_h v(\bar{\bar{e}}_h) - p_l v(\tilde{e}_l) = 0$. Note that $\tilde{e}_l \leq (>) \bar{\bar{e}}_l$ implies $\bar{\bar{e}}_h \leq (>) \tilde{e}_h$.[4] We will consider three possible cases that depend on the relationship between e^*_l, $\tilde{e}_l$, and $\bar{\bar{e}}_l$ and the relationship between e^*_h, $\tilde{e}_h$, and $\bar{\bar{e}}_h$:

Case 1: $e^*_l < \tilde{e}_l \leq \bar{\bar{e}}_l$, which implies $\bar{\bar{e}}_h \leq \tilde{e}_h < e^*_h$.

Case 2: $e^*_l \leq \bar{\bar{e}}_l < \tilde{e}_l$ and $\tilde{e}_h < \bar{\bar{e}}_h \leq e^*_h$.

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[3] Again, we assume that $\bar{\bar{e}}_l$ exists. Otherwise the same reasoning as in Case 1 below applies.

[4] Both follow directly from the relationship between $p_l v(\tilde{e}_l)$, the monetary income of *l* if s/he were to exert $\tilde{e}_l$ units of effort, and $p_h v(\tilde{e}_h)$, the monetary income of *h* if s/he were to exert $\tilde{e}_h$ units of effort. In particular, $p_l v(\tilde{e}_l) \leq (>) p_h v(\tilde{e}_h)$ implies both $\tilde{e}_l \leq (>) \bar{\bar{e}}_l$ and $\bar{\bar{e}}_h \leq (>) \tilde{e}_h$. Note that at this point we are not making any claims about the relationship between $p_l v(e_l)$ and $p_h v(e_h)$ in equilibrium.

Case 3: $\bar{\bar{e}}_l < e_l^* < \tilde{e}_l$ and/or $\tilde{e}_h < e_h^* < \bar{\bar{e}}_h$.

Case 1: First, consider the case where $e_l^* < \tilde{e}_l \leq \bar{\bar{e}}_l$, which implies $\bar{\bar{e}}_h \leq \tilde{e}_h < e_h^*$. Claim: $\hat{e}_l = \tilde{e}_l$ and $\hat{e}_h = \tilde{e}_h$ is a Nash equilibrium. Proof: Consider possible deviations. If *h* increases effort, s/he moves closer to his/her optimal self-interested level of effort, but incurs additional disutility from advantageous inequity. The latter effect dominates, making *h* worse off, since *h* is moving away from $\tilde{e}_h$, the effort level that maximizes utility given this tradeoff. If *h* decreases effort, s/he moves farther away from his/her optimal self-interested level of effort, while simultaneously reducing the disutility from advantageous inequity. The former effect dominates because *h* is moving away from $\tilde{e}_h$, the effort level that maximizes utility given this tradeoff. Moreover, if *h*'s effort level falls below $\bar{\bar{e}}_h$, *h* is not only farther away from his/her self-interested optimum, but is also incurring disadvantageous inequity. On both counts, s/he is worse off. Thus such a deviation cannot be profitable. If *l* increases effort, but his/her effort remains below $\bar{\bar{e}}_l$, s/he loses because s/he is moving above $\tilde{e}_l$, the optimal effort level taking account of the tradeoff between the gain from the reduction in disadvantageous inequity and the loss from moving farther away from his/her optimal self-interested effort level, e_l^*. If *l* increases effort so much that his/her effort exceeds $\bar{\bar{e}}_l$, s/he is also worse off. This is because s/he is both moving farther away from his/her self-interested optimal effort level and incurring increasing advantageous inequity with respect to *h*. Similarly, if *l* decreases effort, s/he is decreasing income below $\tilde{e}_l$, implying that any possible gain from moving closer to the self-interested maximum is dominated by the loss stemming from the increase in disadvantageous inequity with respect to *h*. Thus, $\hat{e}_l = \tilde{e}_l$ and $\hat{e}_h = \tilde{e}_h$ is a Nash equilibrium.

Is this equilibrium unique? Suppose there were an equilibrium with $e_h' < \tilde{e}_h < e_h^*$ to which the *l* players responded optimally. Define $\dot{e}_l$ such that $p_l v(\dot{e}_l) - p_h v(e_h') = 0$. If $\tilde{e}_l \leq \dot{e}_l$, *l* would choose $\tilde{e}_l$ as in the original equilibrium. Since $\tilde{e}_l \leq \dot{e}_l$, this implies that $p_l v(\tilde{e}_l) - p_h v(e_h') \leq 0$ in the candidate equilibrium. The *h* player would then gain by increasing e_h to his/her other-regarding maximum, $\tilde{e}_h$, which takes account of the tradeoff between the benefit of moving closer to his/her self-interested maximum, e_h^*, and the loss from the increase in advantageous inequity in this region. If $\tilde{e}_l > \dot{e}_l \geq e_l^*$, *l* would choose $\dot{e}$. His/her income would be equal to *h*'s income. The *h* player would again gain by increasing e_h to his/her other-regarding maximum, $\tilde{e}_h$, which takes account of the tradeoff between the benefit of moving closer to his/her self-interested maximum, e_h^*, and the loss from the increase in advantageous inequity in this region. Finally, if $\tilde{e}_l > e_l^* > \dot{e}_l$, *l* would choose a level of effort between $\dot{e}_l$, where there is no adverse effect from inequity and e_l^*, his/her self-interested maximum. Thus, *l*'s income would be greater than or equal to *h*'s income. In this case, *h* would again gain by increasing e_h to $\tilde{e}_h$. As long as *h*'s monetary income were less than *l*'s monetary income, *h* would be moving closer to his/her self-interested maximum without any adverse effects from the inequity-aversion component of his/her utility function. After achieving income equality, *h* would continue to gain by moving all the way to $\tilde{e}_h$, the maximum that takes account of the tradeoff between the self-interested and other-regarding component of the utility function in this region. Hence there is no such equilibrium.

Suppose there were an equilibrium with $e_h > \tilde{e}_h$ to which the *l* players responded optimally. The optimal response for *l* would still be $\tilde{e}_l$ since *h*'s income must be higher than *l*'s income in this conjectured equilibrium. The *h* player would gain by reducing effort to $\tilde{e}_h$, thus maximizing his/her utility. Hence there is no such equilibrium. Thus, if $e_l^* < \tilde{e}_l \leq \bar{\bar{e}}_l$, implying $\bar{\bar{e}}_h \leq \tilde{e}_h < e_h^*$, and $p_l v(\tilde{e}_l) \leq p_h v(\tilde{e}_h)$, the equilibrium in which $\hat{e}_l = \tilde{e}_l$ and $\hat{e}_h = \tilde{e}_h$ is unique.

<u>Case 2</u>: Now consider the case in which $e_l^* \leq \bar{\bar{e}}_l < \tilde{e}_l$ and $\tilde{e}_h < \bar{\bar{e}}_h \leq e_h^*$. Claim: $\hat{e}_h = \tilde{e}_h$ and $\hat{e}_l = \bar{\bar{e}}_l$ is a Nash equilibrium. Proof: Consider possible deviations. If *h* chooses a lower e_h, s/he both incurs disadvantageous inequity and moves farther away from his/her self-interested maximum. If s/he chooses a higher e_h, s/he moves away from $\tilde{e}_h$, his/her optimal level of effort

taking into account the tradeoff between the gain from the self-interested component and the loss from the advantageous inequity component of his/her utility function. Thus s/he is worse off. If *l* chooses a higher e_l, s/he loses because s/he both moves farther away from his/her self-interested maximum and incurs advantageous inequity. If s/he chooses a lower e_l, s/he is moving farther away from $\tilde{e}_l$, the optimal level of effort taking into account the tradeoff between the gain from the self-interested component and the loss from the disadvantageous inequity component of his/her utility function. Thus s/he is worse off. Thus, $\hat{e}_h = \tilde{e}_h$ and $\hat{e}_l = \bar{\bar{e}}_l$ is a Nash equilibrium. We will call it Nash equilibrium A.

This Nash equilibrium is not unique. For example, $\hat{e}_h = \bar{\bar{e}}_h$ and $\hat{e}_l = \tilde{e}_l$ is also a Nash equilibrium. We will call it Nash Equilibrium B. Consider possible deviations from this equilibrium. If *h* moves down, s/he is moving farther away from his/her self-interested maximum, e_h^*, and incurs disadvantageous inequity, and is thus worse off. If *h* moves up, s/he moves farther away from $\tilde{e}_h$, the optimal level of effort reflecting the tradeoff between the gain from the self-interested component and the loss from the advantageous inequity component of his/her utility function. Thus, s/he is worse off. If *l* moves up, s/he moves farther away from his/her self-interested maximum, e_l^*, and incurs advantageous inequity. If *l* moves down, s/he moves away from $\tilde{e}_l$, the optimal level of effort reflecting the tradeoff between the gain from the self-interested component and the loss from the disadvantageous inequity component of his/her utility function. Thus, s/he is worse off.

Note that these two equilibria are not Pareto rankable. In both equilibria A and B, neither *h* nor *l* suffers from inequity since monetary incomes are equal. In A, *h* is farther away from e_h^* than in B. Thus, s/he is worse off in A. Conversely, *l* is closer to e_l^* in A than in B. Hence, s/he is better off in A.

Note also that there are many other equilibria in between A and B, i.e. in between income levels $p_h v(\tilde{e}_h) = p_l v(\bar{\bar{e}}_l)$ and $p_l v(\tilde{e}_l) = p_h v(\bar{\bar{e}}_h)$ with e_h between $\tilde{e}_h$ and $\bar{\bar{e}}_h$ and e_l between $\bar{\bar{e}}_l$ and $\tilde{e}_l$ such that incomes of *h* and *l* are equal. The argument regarding defections stated above for equilibria A and B applies to all of them. These equilibria are not Pareto-rankable. As efforts and incomes rise, *h* is better off and *l* is worse off.

Case 3: Now consider the case where $\bar{\bar{e}}_l < \tilde{e}_l$ and $\tilde{e}_h < \bar{\bar{e}}_h$ as in Case 2, but where either $\bar{\bar{e}}_l < e_l^* < \tilde{e}_l$ and/or $\tilde{e}_h < e_h^* < \bar{\bar{e}}_h$.

The Nash equilibria between income levels $p_l v(e_l^*)$ and $p_h v(e_h^*)$ are exactly as described above. However, depending on the specific parameters of the utility functions, there could be additional equilibria. For example, there could be equilibria where there is income equality at an income level below $p_l v(e_l^*)$, but greater than or equal to $p_l v(\bar{\bar{e}}_l)$. For *h*, the same defection arguments apply as before. If *l* moves down, the argument is the same as before. However, if *l* moves up, s/he gains by moving closer to his/her optimal self-interested effort level, e_l^*, but loses from the advantageous inequity resulting from his/her higher income level. If the second effect dominates the first effect, this is a Nash equilibrium. In contrast to the equilibria discussed so far, it predicts a drop rather than a rise in effort for *l* when s/he learns about *h*'s higher piece rate. However, any such potential equilibrium is Pareto dominated by the equilibrium where $\hat{e}_l = e_l^*$ and $\hat{e}_h = \bar{e}_h$, where $\bar{e}_h$ is defined as the level of effort such that $p_h v(\bar{e}_h) = p_l v(e_l^*)$. This is because if all players simultaneously move, there are no inequity implications since incomes remain equal. However, *l* is moving to his/her optimal self-interested effort level, e_l^*, and *h* is moving closer to his/her optimal self-interested effort level, e_h^*. Thus, if the *h* and the *l* players were to move simultaneously from such an equilibrium to the equilibrium where $\hat{e}_l = e_l^*$ and $\hat{e}_h = \bar{e}_h$, they would all be better off.

An analogous argument can be made for potential equilibria at income levels above $p_h v(e_h^*)$, but less than or equal to $p_h v(\bar{\bar{e}}_h)$.

INSTRUCTIONS

The following instructions were originally written and employed in Chinese and German. This is an English translation of the instructions for the unequal piece-rate information (UPRI) treatment. Instructions for the other treatments are analogous.

Instructions – English Translation

You are now attending an economics experiment. Please read the following instructions carefully. If you have any questions, please raise your hand. Please do not communicate with other participants during the experiment.

You can earn a considerable amount of money, depending on your performance in the experiment. At the beginning of the experiment, you will be assigned to a group of four at random. Such a group assignment will remain the same till the end of the experiment. However, each of you will work independently and your earnings will ONLY depend on your own performance. You will remain anonymous throughout the experiment and nobody will be able to link your performance with either you or your name.

During the experiment, please pay attention to the information panel on the left side of the computer screen. Important information (e.g. your earnings for each phase and each round) will be shown there. There will be 10 rounds in the experiment.

In order to make sure that you understand the rules of the experiment, we will first have a trial round before we proceed. If you have any question, please raise your hand. You will not make any money for the trial round.

[In Rounds 1-5, the computer screen will show that the subject will earn 0.06/0.24 for each correct answer submitted and his/her cumulative earnings].

[At the beginning of Round 6, the computer screen will show the following message while the experimenter will also read aloud this message to everyone in the session: In this experiment, you were assigned to a group of four at random. All of you have identical questions to answer and the same time period for each phase. However, at the very beginning of the experiment, one of the group members was randomly chosen to earn 0.24 Yuan per correct answer submitted, which is 4 times as high as the rest of the group members' earnings, namely 0.06 Yuan per correct answer submitted. Such a piece-rate remains the same for a given subject for all 10 rounds in the experiment.]

[In Rounds 6-10, the computer screen will show that a subject will earn 0.06/0.24 for each correct answer submitted].